

BASIC FINANCIAL STATEMENTS





This page intentionally left blank.

City of Burien, Washington
Statement of Net Assets
December 31, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 11,935,446	\$ 784,813	\$ 12,720,259
Receivables			
Accounts	156,256	42,683	198,939
Taxes	1,234,570	-	1,234,570
Taxes delinquent	107,701	-	107,701
Special assessments	746,861	-	746,861
Due from other governments	675,334	3,570	678,904
Restricted cash	8,892	-	8,892
Property and equipment, net of depreciation:			
Land	18,640,904	1,044,682	19,685,586
Buildings	1,910,625	-	1,910,625
Machinery and equipment	442,015	21,234	463,249
Other improvements	2,130,583	12,399	2,142,982
Infrastructure	34,082,235	1,974,687	36,056,922
Construction work in progress	4,858,047	368,754	5,226,801
Total Assets	<u>\$ 76,929,469</u>	<u>\$ 4,252,822</u>	<u>\$ 81,182,291</u>
Liabilities			
Accounts payable	\$ 1,617,003	\$ 77,904	\$ 1,694,907
Employee benefits payable	8,892	-	8,892
Bond interest payable	17,185	-	17,185
Due to other governments	1,614	-	1,614
Deferred revenue	311,095	-	311,095
Deposits payable	88,525	-	88,525
Noncurrent liabilities:			
Due within one year	321,955	-	321,955
Due in more than one year	5,690,038	-	5,690,038
Total Liabilities	<u>\$ 8,056,307</u>	<u>\$ 77,904</u>	<u>\$ 8,134,211</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 56,250,350	\$ 3,421,756	\$ 59,672,106
Restricted for:			
Special revenue	3,431,536	-	3,431,536
Debt service	981,740	-	981,740
Capital projects	7,363,931	-	7,363,931
Unrestricted	845,605	753,162	1,598,767
Total Net Assets	<u>\$ 68,873,162</u>	<u>\$ 4,174,918</u>	<u>\$ 73,048,080</u>

See accompanying notes to the financial statements.

City of Burien, Washington
Statement of Activities
For the Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
Judicial	\$ 243,846	\$ 19,566	\$ -
General Government	2,717,477	822,824	-
Public Safety	6,732,456	110	597,396
Physical Environment	169,743	3,663	3,000
Transportation	3,496,991	594,313	1,230,164
Economic Environment	1,236,388	824,601	-
Mental & Physical Health	52,995	-	120,678
Culture and Recreation	2,237,990	400,999	-
Interest on Long-term Debt	135,118	-	-
Total governmental activities	<u>\$ 17,023,004</u>	<u>\$ 2,666,076</u>	<u>\$ 1,951,238</u>
Business-type activities:			
Storm water	\$ 997,661	\$ 1,555,745	\$ -
Total business-type activities	<u>\$ 997,661</u>	<u>\$ 1,555,745</u>	<u>\$ -</u>
Total government	<u><u>\$ 18,020,665</u></u>	<u><u>\$ 4,221,821</u></u>	<u><u>\$ 1,951,238</u></u>

General revenues:
Property taxes
Sales Taxes
B & O and Utility Taxes
Other Taxes
Unrestricted investment earnings
Transfers
Total general revenues and transfers

Change in net assets

Net Assets - beginning

Net Assets - ending

See accompanying notes to the financial statements.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (224,280)	\$ -	\$ (224,280)
-	(1,894,653)	-	(1,894,653)
7,788	(6,127,162)	-	(6,127,162)
-	(163,080)	-	(163,080)
2,851,379	1,178,865	-	1,178,865
13,429	(398,358)	-	(398,358)
-	67,683	-	67,683
783,273	(1,053,718)	-	(1,053,718)
-	(135,118)	-	(135,118)
<u>\$ 3,655,869</u>	<u>\$ (8,749,821)</u>	<u>\$ -</u>	<u>\$ (8,525,541)</u>
\$ -	\$ -	\$ 558,084	\$ 558,084
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 558,084</u>	<u>\$ 558,084</u>
<u>\$ 3,655,869</u>	<u>\$ (8,749,821)</u>	<u>\$ 558,084</u>	<u>\$ (7,967,457)</u>
	\$ 4,256,885	\$ -	\$ 4,256,885
	4,816,460	-	4,816,460
	2,649,508	-	2,649,508
	1,922,414	-	1,922,414
	468,386	33,315	501,701
	80,128	(80,128)	-
	<u>\$ 14,193,781</u>	<u>\$ (46,813)</u>	<u>\$ 14,146,968</u>
	\$ 5,443,960	\$ 511,271	\$ 5,955,231
	<u>\$ 63,429,202</u>	<u>\$ 3,663,647</u>	<u>\$ 67,092,849</u>
	<u>\$ 68,873,162</u>	<u>\$ 4,174,918</u>	<u>\$ 73,048,080</u>

City of Burien, Washington
Governmental Funds
Balance Sheet
December 31, 2005

	General	Debt Service	Town Square Capital Projects	Parks & General Government Capital Projects
Assets				
Cash and cash equivalents	\$ 750,807	\$ 155,198	\$ -	\$ 175,803
Accounts receivable	-	-	-	-
Taxes receivable:				
Sales	927,535	-	-	-
Current	292,728	-	14,307	-
Delinquent	107,701	-	-	-
Special assessments receivable	-	746,861	-	-
Due from other governments	-	-	-	348,042
Due from other funds	65,427	-	-	1,463,784
Restricted cash and cash equivalents	8,892	-	-	-
Total Assets	\$ 2,153,090	\$ 902,059	\$ 14,307	\$ 1,987,629
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ 949,425	\$ -	\$ 259,318	\$ 50,077
401A Admin Fee Payable	8,892	-	-	-
Due to other funds	-	-	1,463,784	-
Due to other governments	1,614	-	-	-
Deposits payable	88,525	-	-	-
Deferred revenue	225,271	746,224	-	250,000
Total Liabilities	\$ 1,273,727	\$ 746,224	\$ 1,723,102	\$ 300,077
Fund Balance:				
Unreserved reported in:				
General Fund	\$ 879,363	\$ -	\$ -	\$ -
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	155,835	-	-
Capital Projects Funds	-	-	(1,708,795)	1,687,552
Total Fund Balances	\$ 879,363	\$ 155,835	\$ (1,708,795)	\$ 1,687,552
Total Liabilities and Fund Balance	\$ 2,153,090	\$ 902,059	\$ 14,307	\$ 1,987,629

See accompanying notes to the financial statements.

Transportation Capital Projects	Other Governmental	Total
\$ 6,746,912	\$ 4,106,726	\$ 11,935,446
-	154,390	154,390
-	-	927,535
-	-	307,035
-	-	107,701
-	-	746,861
279,564	47,728	675,334
-	-	1,529,211
-	-	8,892
<u>\$ 7,026,476</u>	<u>\$ 4,308,844</u>	<u>\$ 16,392,405</u>

\$ 84,115	\$ 274,068	\$ 1,617,003
-	-	8,892
-	65,427	1,529,211
-	-	1,614
-	-	88,525
-	-	1,221,495
<u>\$ 84,115</u>	<u>\$ 339,495</u>	<u>\$ 4,466,740</u>

\$ -	\$ -	\$ 879,363
-	3,431,536	3,431,536
-	95,000	250,835
6,942,361	442,813	7,363,931
<u>\$ 6,942,361</u>	<u>\$ 3,969,349</u>	<u>\$ 11,925,665</u>
<u>\$ 7,026,476</u>	<u>\$ 4,308,844</u>	<u>\$ 16,392,405</u>

City of Burien, Washington
 Reconciliation of Total Governmental Fund Balances
 to Net Assets of Governmental Activities
 December 31, 2005

Total governmental fund balances		\$ 11,925,665
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		62,064,409
These assets consist of:		
Land	\$ 18,640,904	
Construction in Progress	4,858,047	
Buildings	2,993,293	
Improvements other than buildings	2,755,636	
Machinery and equipment - General Government	1,234,058	
Infrastructure	54,126,690	
Less: Accumulated Depreciation	(22,544,219)	
	\$ 62,064,409	
Long term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.		(6,029,178)
These long-term liabilities consist of:		
Long term portion of Long Term Debt	\$ 5,492,104	
Due within one year portion of long-term debt	321,955	
Compensated absences	197,934	
Accrued interest payable on long-term debt	17,185	
	\$ 6,029,178	
Receivables not available to pay current period expenditures and, therefore, are deferred in the funds:		910,400
Special Assessments	\$ 746,224	
Property Taxes	164,176	
	\$ 910,400	
Accrued interest on Special Assessments not available to pay current period expenditures and, therefore, not reported in the funds.		1,866
Net Assets of Governmental Activities		\$ 68,873,162

See accompanying notes to the financial statements.



This page intentionally left blank.

City of Burien, Washington
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2005

	General	Debt Service	Town Square Capital Projects	Parks and General Government Capital Projects
Revenues				
General property taxes	\$ 3,899,859	\$ -	\$ -	\$ -
Sales Tax	4,816,460	-	-	-
Real Estate Excise Tax	-	-	-	-
B & O	517,392	-	-	-
Utility Tax	1,805,153	-	-	-
Gambling taxes	709,106	-	-	-
Intergovernmental revenue	654,056	-	13,429	783,273
Licenses & permits	552,728	-	-	-
Charges for services	777,331	-	10,000	-
Fines & forfeitures	78,846	-	-	-
Donations	-	-	-	5,355
Special assessments	-	120,526	-	-
Investment income	73,358	2,955	217	5,231
Miscellaneous	24,411	4,781	159,741	-
Total revenues	<u>13,908,700</u>	<u>128,262</u>	<u>183,387</u>	<u>793,859</u>
Expenditures				
Current:				
General government	2,741,031	-	13,569	-
Public safety	6,718,075	-	-	-
Transportation	-	-	-	-
Recreation	2,047,730	-	-	57,161
Physical Environment	169,743	-	-	-
Mental and Physical Health	7,150	-	-	-
Economic development	1,129,808	-	-	-
Debt service				
Principal	-	301,955	-	-
Interest	-	135,621	-	-
Capital outlay	23,611	-	4,450,404	1,168,269
Total expenditures	<u>12,837,148</u>	<u>437,576</u>	<u>4,463,973</u>	<u>1,225,430</u>
Excess of revenues over (under) expenditures	<u>1,071,552</u>	<u>(309,314)</u>	<u>(4,280,586)</u>	<u>(431,571)</u>
Other Financing				
Sources (Uses)				
Transfers in	28,961	380,166	2,520,260	1,882,861
Transfers (out)	(1,423,994)	-	-	(8,000)
Total other financing sources and uses	<u>(1,395,033)</u>	<u>380,166</u>	<u>2,520,260</u>	<u>1,874,861</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(323,481)</u>	<u>70,852</u>	<u>(1,760,326)</u>	<u>1,443,290</u>
Fund balances - beginning	<u>1,202,844</u>	<u>84,983</u>	<u>51,531</u>	<u>244,262</u>
Fund balances - ending	<u>\$ 879,363</u>	<u>\$ 155,835</u>	<u>\$ (1,708,795)</u>	<u>\$ 1,687,552</u>

See accompanying notes to the financial statements

<u>Transportation Capital Projects</u>	<u>Other Governmental</u>	<u>Total</u>
\$ -	\$ 340,685	\$ 4,240,544
-	-	4,816,460
-	1,223,157	1,223,157
-	-	517,392
-	317,114	2,122,267
-	-	709,106
2,533,535	1,304,970	5,289,263
-	532,193	1,084,921
450,938	68,615	1,306,884
-	-	78,846
-	-	5,355
-	-	120,526
134,342	252,591	468,694
313,035	5,920	507,888
<u>3,431,850</u>	<u>4,045,245</u>	<u>22,491,303</u>
-	45,672	2,800,272
-	-	6,718,075
201,486	1,321,841	1,523,327
-	-	2,104,891
-	-	169,743
-	45,845	52,995
-	-	1,129,808
-	-	301,955
-	-	135,621
4,843,689	517,367	11,003,340
<u>5,045,175</u>	<u>1,930,725</u>	<u>25,940,027</u>
<u>(1,613,325)</u>	<u>2,114,520</u>	<u>(3,448,724)</u>
3,252,107	1,982,660	10,047,015
-	(8,066,277)	(9,498,271)
<u>3,252,107</u>	<u>(6,083,617)</u>	<u>548,744</u>
<u>1,638,782</u>	<u>(3,969,097)</u>	<u>(2,899,980)</u>
<u>5,303,579</u>	<u>7,938,446</u>	<u>14,825,645</u>
<u>\$ 6,942,361</u>	<u>\$ 3,969,349</u>	<u>\$ 11,925,665</u>

City of Burien, Washington
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balance of
 Governmental Funds to the Statement of Activities
 For the fiscal year ended December 31, 2005

Net change in fund balances - total governmental funds \$ (2,899,980)

Amounts reported for governmental activities in the statement of activities
 are different because:

Governmental funds report capital outlays as expenditures. However, in the
 Statement of Activities, the costs of those assets are allocated over their
 estimated useful life as depreciation expense. This is the amount by
 by which capital outlays exceeded depreciation in the current period.

8,622,682

This is comprised of:

Capital Outlays	\$ 11,003,340
Current year depreciation	(2,380,658)
	<u>\$ 8,622,682</u>

Capital assets contributed to proprietary fund, not reported in the
 governmental funds because there has been no flow of current
 financial resources

(468,616)

Revenues in the Statement of Activities that do not provide current
 financial resources are not reported as revenue in the fund financial
 statements and are added to this reconciliation, while and some
 revenues reported in the fund financial statements are not reported in the
 the government-wide statement of activities.

(104,467)

This is comprised of:

Property tax revenue	\$ 16,341
Accrued interest receivable on special assessment	(309)
Special assessment revenue	(120,499)
	<u>\$ (104,467)</u>

Bond proceeds provide current financial resources to governmental
 funds, but issuing debt increases long-term liabilities in the
 Statement of Net Assets. Repayment of bond principal is an
 expenditure in the governmental funds, but the repayment reduces
 long-term liabilities in the Statement of Net Assets.

301,955

This is comprised of:

Principal payments on long-term debt	301,955
	<u>\$ 301,955</u>

Some expenses reported in the Statement of Activities do not require
 the use of current financial resources and therefore, are not reported
 as expenditures in the governmental funds.

(7,614)

This is comprised of:

Accrued interest expense	\$ 503
Accrued compensated absences expense	(8,117)
	<u>\$ (7,614)</u>

Change in Net Assets of Governmental Activities

\$ 5,443,960

See accompanying notes to the financial statements.

City of Burien, Washington
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2005

	Budget			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Taxes	\$ 11,205,114	\$ 11,648,921	\$ 11,747,970	\$ 99,049
Intergovernmental revenue	539,317	631,439	654,056	22,617
Licenses & permits	395,390	601,669	552,728	(48,941)
Charges for services	601,163	679,919	777,331	97,412
Fines & forfeitures	58,097	56,880	78,846	21,966
Investment income	51,963	85,000	73,358	(11,642)
Miscellaneous	-	-	24,411	24,411
Total revenues	12,851,044	13,703,828	13,908,700	204,872
Expenditures				
Current:				
General government	2,901,705	2,828,766	2,741,031	87,735
Public safety	6,875,068	7,013,007	6,718,075	294,932
Health	5,772	5,772	7,150	(1,378)
Public works	167,882	173,564	169,743	3,821
Recreation	1,875,661	2,032,665	2,047,730	(15,065)
Community development	1,288,043	1,328,042	1,129,808	198,234
Capital outlay	25,493	25,493	23,611	1,882
Total expenditures	13,139,624	13,407,309	12,837,148	570,161
Excess of revenues over (under) expenditures	(288,580)	296,519	1,071,552	775,033
Other Financing				
Sources (Uses)				
Transfers in	32,122	32,122	28,961	(3,161)
Transfers (out)	(140,059)	(1,423,994)	(1,423,994)	-
Total other financing sources (uses)	(107,937)	(1,391,872)	(1,395,033)	(3,161)
Excess of revenues and other sources over (under) expenditures and other uses	(396,517)	(1,095,353)	(323,481)	771,872
Fund balances - beginning	641,302	1,202,844	1,202,844	-
Fund balances - ending	\$ 244,785	\$ 107,493	\$ 879,363	\$ 771,872

See accompanying notes to the financial statements.

City of Burien, Washington
Proprietary Fund
Statement of Net Assets
December 31, 2005

	<u>Surface Water Management</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 784,813
Utility receivables, net	42,683
Due from other governments	<u>3,570</u>
Total current assets	<u>831,066</u>
 Non-current assets:	
Capital assets, net of depreciation	<u>3,421,756</u>
Total non-current assets	<u>3,421,756</u>
Total Assets	<u>\$ 4,252,822</u>
 Liabilities	
Current liabilities:	
Accounts payable	<u>\$ 77,904</u>
Total Liabilities	<u>\$ 77,904</u>
 Net Assets	
Invested in capital assets	\$ 3,421,756
Unrestricted	<u>753,162</u>
Total Net Assets	<u><u>\$ 4,174,918</u></u>

See accompanying notes to the financial statements.

City of Burien, Washington
 Proprietary Fund
 Statement of Revenues, Expenses, and Changes in Fund Net Assets
 For the Year Ended December 31, 2005

	<u>Surface Water Management</u>
Operating Revenues:	
Charges for services	\$ 1,555,745
Total operating revenues	<u>1,555,745</u>
Operating Expenses:	
Personal services	195,581
Support services	69,428
Repairs & maintenance	615,616
Depreciation	117,036
Total operating expenses	<u>997,661</u>
Operating income (loss)	558,084
Non-operating revenues (expenses):	
Investment income	33,315
Total nonoperating revenues (expenses)	<u>33,315</u>
Income before capital contributions and transfers	591,399
Transfers to other funds	(548,744)
Capital Contribution	468,616
	<u>(80,128)</u>
Changes in net assets	511,271
Total net assets - beginning	<u>3,663,647</u>
Total net assets - ending	<u>\$ 4,174,918</u>

See accompanying notes to the financial statements.

City of Burien, Washington
 Proprietary Funds
 Statement of Cash Flows
 For the Year Ended December 31, 2005

	<u>Surface Water Management</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,558,277
Payments to suppliers	(686,447)
Payments to employees	(195,581)
Net cash provided (used) by operating activities	<u>676,249</u>
Cash Flows from Non-capital Financing Activities	
Operating subsidies and tranfers to other funds	(548,744)
Net cash provided (used) by non-capital financing activities	<u>(548,744)</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(280,216)
Net cash provided (used) by capital and related financing activities	<u>(280,216)</u>
Cash Flows from Investing Activities	
Interest received on investments	33,315
Net cash provided by investing activities	<u>33,315</u>
Net increase (decrease) in cash and cash equivalents	<u>(119,396)</u>
Cash and cash equivalents, beginning	<u>904,209</u>
Cash and cash equivalents, ending	<u><u>\$ 784,813</u></u>

Reconciliation of Operating Income to Net Cash**Provided (Used) by Operating Activities:**

Operating income (loss)	\$	558,084
-------------------------	----	---------

Adjustments to reconcile operating income (loss)
to net cash provided (used) by operating
activities:

Depreciation		117,036
--------------	--	---------

Changes in assets and liabilities:

Accounts receivable		2,532
---------------------	--	-------

Accounts payable		(1,403)
------------------	--	---------

Total adjustments		<u>118,165</u>
-------------------	--	----------------

Net Cash Provided by Operating Activities	\$	<u><u>676,249</u></u>
---	----	-----------------------

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

TABLE OF CONTENTS

<u>Note</u>	<u>Page</u>
1. Summary of Significant Accounting Policies	4-19
Reporting Entity	4-19
Basic Financial Statements	4-19
Measurement Focus and Basis of Accounting	4-20
Financial Statement Presentation	4-20
Assets, Liabilities and Net Assets or Equities	4-21
Cash and cash equivalents	4-21
Receivables	4-21
Interfund Transactions	4-22
Prepaid	4-22
Restricted assets	4-22
Capital assets	4-22
Compensated absences	4-22
Deferred Revenue	4-23
Long-term Obligations	4-23
Fund Equity	4-23
2. Reconciliation of Government-wide and Fund Financial Statements	4-23
3. Stewardship, Compliance and Accountability	4-23
4. Cash and Investments	4-25
5. Receivables	4-26
6. Interfund Balances and Transfers	4-26
7. Capital Assets	4-27
8. Long-term Obligations	4-29
9. Pension Plans	4-31
10. Risk management	4-33
11. Contingencies and Litigation	4-35



NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Burien have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Summarized comparative data is shown in the presentation, in accordance with GASB Statement 34, specifically in the Management Discussion and Analysis (MD&A).

The City of Burien was incorporated on February 28, 1993, and operates under the laws of the State of Washington applicable to a non-charter code city with a Council-Manager form of government. Burien is administered by a City Manager and a seven-member City Council policy body, all elected for staggered four-year terms. The Council elects one of its members to serve as mayor.

A. Reporting Entity

The City of Burien is a general-purpose government. The City's Comprehensive Annual Financial Report (CAFR) includes all funds for which the City is financially accountable. Financial accountability is defined as appointment by the City of a voting majority of another organization's governing body and either the ability to impose its will on the other organization, or the potential for the other organization to provide specific financial benefits to or impose financial burdens on the City.

During 2005 there were no other organizations for which the City of Burien was financially accountable.

B. Basic Financial Statements

The government-wide financial statements consist of the statement of net assets and the statement of activities report information on the city as a whole and fund financial statements which provide a more detailed level of financial information. For the most part interfund activity has been removed from the government-wide statements, with the exception of charges for surface water management activities. Elimination of these charges would distort the direct cost and program revenue of this activity. Governmental activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales, franchise taxes, business and occupation and utility taxes, charges for services, and certain state-shared revenues, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the cash is received by the government.

D. Financial Statement Presentation

The government reports the following major governmental funds:

The **General Fund** is the general operating fund of the City. It accounts for all financial resources and transactions of the general government, except those required to be accounted for in another fund.

The **Debt Service Fund** accounts for the accumulation of resources and payments made for principal and interest on the long-term general obligation debt of the governmental funds.

The **Parks and General Government Capital Projects Fund** accounts for financial resources designated for the acquisition and or construction of park and general government capital projects identified in the long range capital improvement program process.

The **Transportation Capital Projects Fund** accounts for financial resources designated for numerous transportation related capital improvement projects.

The government reports the following proprietary fund:

The **Surface Water Management Fund** accounts for planning, public involvement, education and maintenance activities necessary for environmentally appropriate storm and surface water management programs and facilities.

Additionally, the government reports the following fund type:

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted for expenditures for specified purposes.

The city applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures. The City has elected not to follow subsequent private-sector guidance.

E. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

It is the City's policy to invest all temporary cash surpluses. These investments are reported on the statement of net assets and the governmental funds balance sheet as cash and cash equivalents. Included in cash and cash equivalents are currency on hand, demand deposits with banks or other financial institutions, and investments with the Local Government Investment Pool. Interest earned on pooled investments is allocated to each of the participating funds.

Washington State law authorizes investments in obligations of the U.S. Treasury: U.S. government agencies and instrumentality's, bankers' acceptances, primary certificates of deposit issued by qualified public depositories, the State Treasurer's Local Government Investment Pool and repurchase agreements collateralized by the previously authorized investments. At December 31, 2005, all investments of the City's funds were obligations of the State Treasurer's Local Government Investment Pool, which is a 2a7-like pool, overseen by the State Treasurer's Office in accordance with state statutes and rules established by the State Finance Committee.

The City reports its deposits and investment risk disclosures in accordance with GASB 40. (see cash and investment note)

In accordance with GASB 31, investments in external 2a7-like pools, money market investments, and participating interest-earning investments contracts with remaining maturities of one year or less at the time of purchase are stated at amortized cost. All other investments are stated at fair value.

2. Receivables

The City recognizes receivables in its financial statements based on the accounting requirements for that statement. These receivables are described below:

Property Taxes

Uncollected property taxes levied for the current year are reported as receivable at year end. The City's property tax collections records show that approximately 98.5% of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years. When property taxes become three years delinquent the County is required by State

statute to foreclose on the property. Historically, all taxes have been collected, therefore no allowance for uncollectible taxes is recorded.

Sales Taxes

Sales Taxes collected for November and December but not remitted by the state to the city until January and February of the following year are reported as receivables at year end. There is no allowance for uncollectible sales taxes because all sales taxes are required by law to be collected by businesses at the time of sale and remitted to the state.

Special Assessments

Special Assessments are levied against certain property owners and become liens against the property benefited by the improvement. Special assessments receivable in the statement of net assets, include all uncollected assessments regardless of the due date. Special assessments receivable in the governmental fund statements consist of current assessments which are due within 60 days, delinquent assessments remaining unpaid after the due date and deferred, uncollected assessments which have been levied, but are not due within 60 days.

3. Interfund Transactions:

Activity between funds that is representative of lending/borrowing arrangements outstanding at year end are referred to as either due to/due from other funds. In the Entity-wide Statement of Net Assets due to/due from other funds is not reported, but is eliminated in internal balances.

4. Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure, including all infrastructure acquired prior to the implementation of GASB 34, are reported in the applicable government or business-type columns in the government-wide financial statements. Capital assets are defined by the city as assets with an initial, individual cost of more than \$1,000 and an estimated life in excess of three years. Such assets are recorded at estimated historical cost if historical cost data is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure assets acquired prior to the implementation of GASB 34 are recorded at estimated historical cost and all infrastructure assets acquired since implementation of GASB 34 are valued at cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized.

Property, plant, equipment, and infrastructure of the City is depreciated using the straight line method over the following useful lives

<u>Type of Asset</u>	<u>Number of Years</u>
Building and Structures	20
Other Improvements	10 - 20
Machinery and equipment	3 - 10
Infrastructure	25 - 50

5. Compensated Absences

Compensated absences consist of accrued vacation leave and compensatory time. All vacation is accrued when incurred in the government-wide financial statements. The amount recorded in this account represents accumulated vacation, compensatory time, and related benefits.

Vacation is earned monthly, from 8 hours to 15.4 hours per month, based on number of years of employment. Employees are allowed to carry over a maximum of twice his/her annual accrual. Vacation is payable when taken, or upon resignation, retirement, or death.

6. Deferred Revenue

In governmental funds, deferred revenues include amounts collected but not yet earned, and include receivables which have not yet met the revenue recognition criteria.

7. Short-Term Debt

Short-term obligations are defined as anticipation notes, use of lines of credit and similar type transactions. The city had no short term loan activity or balances at any time during the year.

8. Long-term Obligations

Long-term obligations are recorded in the government-wide statement of net assets. These liabilities include one bond issue and two Public Works Trust Fund Loans as further described in Note 8.

9. Fund Equity

Reserves represent portions of fund balance that are legally restricted for a specific future purpose or not available for appropriation, because they do not represent a current expendable resource.

10. Operating and Non-operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and or services in connection to the proprietary fund's principle ongoing operation. It includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities. All revenues and expenses not meeting this definition are non-operating revenues and expenses.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental funds' balance sheet includes a reconciliation between total fund balance and total net assets as reported in the government-wide statement of net assets. (page 4-8)

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities reported in the government-wide statement of activities. (page 4-12)

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions and there have been no expenditures exceeding legal appropriations in any fund of the City.

Budgetary Data

1. Scope of Budget

In accordance with Chapter 35A.33 of the Revised Code of Washington (RCW), the City budgets for all funds.

The budget includes annually budgeted funds (the General Fund, most Special Revenue funds; the Street, Arterial Street, Cumulative Reserve, Public Works Reserve, Equipment Reserve, Art in Public Places, and Senior Center Reserve funds and Debt Service funds; the Debt Service and the LID Guaranty funds); unexpended appropriated balances for these funds lapse at year-end. The "Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual" in the Basic Financial Statements section of this report and the "Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual" in the Fund Financial Statements and Schedules are provided in this document to demonstrate legal budgetary compliance for those funds.

The budget also includes appropriations for funds that are adopted on a "project-length" basis, such as the grant-financed Community Development Block Grant Fund and the Capital Projects funds. Appropriations are adopted at the beginning of the projects, and are carried forward from year to year without re-appropriation until authorized amounts are fully expended or the designated purpose of the fund has been accomplished. Since these funds are not budgeted on an annual basis, a budgetary comparison is not made in the financial statements.

The City adopts the budget for governmental funds on the modified accrual basis and all appropriations other than for project-length funds, described above, lapse at year-end.

Legal budgetary control is established at the fund level, i.e., expenditures for a fund may not exceed the total appropriated amount. Total fund appropriation includes expenditures, other financing uses and estimated ending fund balance.

2. Procedures for Adopting the Original Budget

The City's budget procedures are mandated by Chapter 35A.33 RCW. The steps in the budget process are as follows:

- a. Prior to the first Monday in October, the City Manager submits a proposed budget to the City Council. This budget is based on priorities established by the Council. Estimates of the cost of these priorities together with estimated basic government operating costs are presented to the Council in the preliminary budget document, with revenue estimates.
- b. The City Council conducts at least three public hearings on the proposed budget prior to budget adoption.
- c. The Council reviews the preliminary budget document and, if necessary, makes its adjustments to the proposed budget. The Council adopts, by ordinance, the final budget for the ensuing fiscal year no later than December 31. The final budget document is published and distributed the following year. Copies of the adopted budget are made available to the public.

3. Amending the Budget

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund or that affect the number

of authorized employee positions, the pay classification system, hours, or other conditions of employment must be approved by the City Council.

When the City Council determines that it is in the best interest of the City to increase or decrease the appropriation for a particular fund, it may do so by ordinance.

The budget amounts presented in the financial statements and schedules show the original adopted and final authorized amounts as amended during the year.

4. Deficit Fund Balance:

The Town Square Capital Project Fund has a negative fund balance of 1,708,795 at year end. This amount represents authorized expenditures which will be funded by intergovernmental revenues and a pending land sale in 2006.

5. Encumbrances

An encumbrance system is maintained to account for commitments resulting from approved purchase orders. Outstanding encumbrances lapse at year-end and are absorbed within the new year's budget appropriation.

The Authorized Staffing Level Compliance

The 2005 budget authorized 53.6 full-time equivalent staff positions. At December 31, 2005, all but one of these positions was filled.

NOTE 4. CASH AND INVESTMENTS

A. Cash and Investments

The City's deposits are entirely covered by the Federal Deposit Insurance Commission (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The FDIC insures the first \$100,000 of the city's deposits. The deposit balances over \$100,000 are insured by the PDPC. State statute permits additional amounts to be assessed on a pro rata basis to members of the PDPC pool in the event the pool's collateral should be insufficient to cover a loss.

As of December 31, 2005 the carrying amount of the city's demand deposits with Key Bank was \$178,708 and the bank balance was \$176,199. Petty cash totaled \$ 1,225 which is allocated to various city departments, and \$ 100,111 is held by King County for property taxes collected at year end with the cash transferring soon after year end.

The Local Government Investment Pool (LGIP) is a 2a7-like pool. The fair value of the city's pool investments is determined by the pool's share price. The city has no regulatory oversight responsibility for the LGIP which is governed by the Washington State Finance Committee and is administered by the State Treasurer. The LGIP is audited annually by the Office of State Auditor, an independently elected public official.

As of December 31, 2005 the City had the following investments and maturity:

	<u>Fair Value</u>	<u>Less than One Year</u>
State Treasurer's Local Government Investment Pool	<u>\$12,451,618</u>	<u>\$12,451,618</u>
Total Investments	<u>\$12,451,618</u>	<u>\$12,451,618</u>

Interest Rate Risk

The city does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Washington State law limits investments in obligations of the U.S. Treasury, U.S. government agencies and instrumentality's, bankers' acceptances, primary certificates of deposit issued by qualified public depositories, the State Treasurer's Local Government Investment Pool and repurchase agreements collateralized by the previously authorized investments. Additionally investments may be made in commercial paper and bonds of the State of Washington and any local government in the State of Washington which have, at the time of investment, one of the three highest credit ratings of a nationally recognized rating agency.

Concentration of Credit Risk

At December 31, 2005, all investments of the City's funds were obligations of the State Treasurer's Local Government Investment Pool, which in itself is a diversified investment pool and is highly liquid.

NOTE 5. RECEIVABLES**PROPERTY TAXES**

Property taxes are levied by the county assessor and collected by the county office of financial management. Assessments are based on 100 percent of actual value. Taxes are levied and become a lien on the first day of the levy year. They may be paid in two equal installments if the total amount exceeds \$50. The first half is due on April 30, or the total amount becomes delinquent May 1. The balance is due October 31, becoming delinquent November 1. Delinquent taxes bear interest at the rate of 1 percent per month until paid and are subject to additional penalties of 3 percent and another 8 percent on the total unpaid delinquent balance on June 1 and December 1, respectively. Foreclosure action is commenced on properties when taxes become three years delinquent.

The City may levy up to \$1.60 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

- a. Washington State law in Revised Code of Washington (RCW) 84.55.010 limits the growth of regular property taxes to 1 percent per year, after adjustments for new construction. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.
- b. The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1 percent limit. Special levies may allow for the total property tax rate to exceed \$10.

The City's regular levy for 2005 was \$1.47443 per \$1,000 of the assessed valuation of \$2,899,226,890 for a total regular levy of \$4,274,707.

NOTE 6. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances are a short term advance from the General Fund to the Community Development Block Grant Fund of operating cash, which is repaid shortly after year end when the accrued grant revenue is received and an advance from the Parks and General Government Capital Project Fund to the Town Square Capital Project Fund to provide operating capital to purchase

two properties. This advance should also be repaid shortly after year end as other properties in the town square development area are sold to the developer. These loans and advances are eliminated in the Statement of Net Assets.

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
2005 Interfund Receivables and Payables:		
General Fund	\$ 65,427	\$ -
Special Revenue Funds:		
Community Development Block Grant Fund	-	65,427
Capital Project Funds		
Parks and General Government	1,463,784	-
Town Square	-	1,463,784
Total Interfund Receivables and Payables:	<u>\$ 1,529,211</u>	<u>\$ 1,529,211</u>

Operating transfers are transactions between funds used to support the operations of these other funds, and are classified as "Other Financing Sources and Uses" in the fund statements. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the Government-wide financial statements.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 28,961	\$ 1,423,994
Street Fund	-	364,245
Arterial Street fund	-	214,054
Public Works Reserve Fund	1,322,040	4,783,287
Equipment Replacement Reserve	105,798	-
CDBG	-	28,961
Art in Public Places	8,000	-
Debt Service Fund	380,166	-
Town Square Capital Project Fund	2,520,260	
Parks and General Government Capital Projects Fund	1,882,861	8,000
Transportation Capital Project Fund	3,252,107	-
Surface Water Management Capital Project Fund	546,822	2,675,730
Surface Water Management Fund	-	548,744
	<u>\$ 10,047,015</u>	<u>\$ 10,047,015</u>

Interfund transfers of capital assets from the Surface Water Management Capital Project Fund to the Surface Water Management Fund is not reported in the governmental funds as this transaction did not result in a flow of current financial resources. See the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities for the reconciliation of this change in fund balances and change in total net assets.

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities		
Surface Water Management Capital Project Fund	\$ -	\$ 468,616
Business-type activities		
Surface Water Management Fund	468,616	
	<u>\$ 468,616</u>	<u>\$ 468,616</u>

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 is presented on the following page:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 14,692,107	\$ 3,948,797	\$ -	\$ 18,640,904
Construction in Progress	7,694,874	6,524,303	9,361,130	4,858,047
Total capital assets, not being depreciated	22,386,981	10,473,100	9,361,130	23,498,951
Capital Assets, being depreciated				
Buildings	\$ 2,993,293	\$ -	\$ -	\$ 2,993,293
Improvements other than buildings	1,158,192	1,597,444	-	2,755,636
Machinery and equipment	1,172,434	61,624	-	1,234,058
Infrastructure	46,363,005	7,763,685	-	54,126,690
Total Capital Assets, being depreciated	51,686,924	9,422,753	-	61,109,677
Less accumulated depreciation for:				
Buildings	\$ 932,601	\$ 150,067	\$ -	\$ 1,082,668
Improvements	532,105	92,948	-	625,053
Machinery and Equipment	625,248	166,795	-	792,043
Infrastructure	18,073,608	1,970,847	-	20,044,455
Total Accumulated Depreciation	20,163,562	2,380,657	-	22,544,219
Total capital assets, being depreciated, net	31,523,362	7,042,096	-	38,565,458
Governmental activities capital assets, net	\$ 53,910,343	\$ 17,515,196	\$ 9,361,130	\$ 62,064,409

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business type Activities				
Capital Assets, not being depreciated				
Land	\$ 495,976	\$ 548,706	\$ -	\$ 1,044,682
Construction in Progress	198,198	170,556	-	368,754
Total capital assets, not being depreciated	694,174	719,262	-	1,413,436
Capital Assets, being depreciated				
Buildings	\$ -	\$ -	\$ -	\$ -
Improvements other than buildings	24,798	-	-	24,798
Machinery and equipment	89,735	5,334	-	95,069
Infrastructure	2,758,370	24,236	-	2,782,606
Total Capital Assets, being depreciated	2,872,903	29,570	-	2,902,473
Less accumulated depreciation for:				
Buildings	\$ -	\$ -	\$ -	\$ -
Improvements	9,919	2,480	-	12,399
Machinery and Equipment	65,114	8,721	-	73,835
Infrastructure	702,084	105,835	-	807,919
Total Accumulated Depreciation	777,117	117,036	-	894,153
Total capital assets, being depreciated, net	2,095,786	(87,466)	-	2,008,320
Business-type activities capital assets, net	\$ 2,789,960	\$ 631,796	\$ -	\$ 3,421,756

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 156,346
Public Safety	14,381
Transportation, including infrastructure	1,979,954
Culture & Recreation	136,771
Economic Development	<u>93,206</u>
Total Increase in Accumulated Depreciation	
Governmental Activities	<u>\$2,380,658</u>

Business- type Activities:

Surface Water Management	<u>\$ 117,036</u>
--------------------------	-------------------

NOTE 8. LONG-TERM OBLIGATIONS

General Obligation Bonds are a direct obligation of the City for which its full faith and credit is pledged. Debt service is paid from the debt service fund.

General Obligation Bonds Outstanding at year end consist entirely of the 2002 Unlimited Tax General Obligation Bonds: Issued to provide funds for property acquisition for Town Square and parks, and to provide funds for numerous parks development and renovation projects.

**Changes in General Long Term Debt
For the Year Ended December 31, 2005**

	Balance <u>1/1/05</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>12/31/05</u>
2002 Limited Tax G.O. 2.5 to 4.70%	\$ 2,970,000	-	\$(120,000)	\$ 2,850,000
Total General Obligation Bonds	\$ 2,970,000	\$ -	\$(120,000)	\$ 2,850,000

**Debt Service Requirement to Maturity
Long Term Debt Summary
December 31, 2005**

	General Obligation 2002 Bonds		General Obligation 2002 Bonds
Year	Principal	Interest	Total Long Term Debt
2006	125,000	117,295	242,295
2007	130,000	113,858	243,858
2008	135,000	109,958	244,958
2009	135,000	105,570	240,570
2010	140,000	100,845	240,845
2011-2015	765,000	419,175	1,184,175
2016-2020	970,000	241,228	1,211,228
2021-2022	450,000	31,620	481,620
	<u>\$2,850,000</u>	<u>\$1,239,549</u>	<u>\$4,089,549</u>

Public Works Trust Fund Loan – State of Washington Public Works Trust Fund Loans are a direct responsibility of the City. The City currently has two such loans. The first loan has an outstanding

balance of \$2,066,837 and is being repaid with Real Estate Excise Taxes received in to the Public Works Reserve Fund. The second loan is for \$897,222 and is being repaid with revenues from a special assessment (LID) against the benefiting property owners on the 152nd Street Enhancement Project, which was completed in 2003.

Public Works Trust Fund Loans		
Year	Principal	Interest
2006	181,955	14,820
2007	181,955	13,911
2008	181,955	13,001
2009	181,955	12,091
2010	181,955	11,181
2011-2014	909,775	42,259
2015-2019	909,775	19,515
2021-2022	234,733	1,438
	<u>\$ 2,964,059</u>	<u>\$ 128,216</u>

Special Assessment Debt with Government Commitment

Special Assessment debt are not a direct responsibility of the City, but are funded from the collection of special assessment payments. Debt service principal and interest costs are paid from the Debt Service Fund. The government is obligated for the special assessment debt to the extent that it is required to establish a guaranty fund, for the purpose of guaranteeing the payments of local improvement debt, in the event there are insufficient funds in the Debt Service Fund from the collection of special assessments. The LID Guaranty Fund was established with a transfer from the Street Fund to maintain an approximate balance of 10% of outstanding debt owed by the special assessment.

Changes in Long-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 2,970,000	\$ -	\$ (120,000)	\$ 2,850,000	\$ 125,000
General obligation bonds					
Special assessment debt with government commitment (PWTFLL)	950,000	-	(52,778)	897,222	52,778
Public Works Trust Funds Loans	2,196,014	-	(129,177)	2,066,837	129,177
Bonds and Loans Payable	\$ 6,116,014	\$ -	\$ (301,955)	\$ 5,814,059	\$ 306,955
Compensated Absences	189,817	200,135	(192,018)	197,934	15,000
Governmental activity Long-term liabilities	\$ 6,305,831	\$ 200,135	\$ (493,973)	\$ 6,011,993	\$ 321,955

Compensated Absences Payable

This amount represents the total unpaid vacation, compensatory time and related benefits liability of the governmental funds. Compensated absences liability at year end is \$197,934 and \$8,117 was expensed to the governmental functions for the year.

NOTE 9. PENSION PLANS

A. Washington State Public Employees' Retirement Plan

Substantially all City of Burien full-time and qualifying part-time employees participate in one of the following statewide local government retirement systems administered by the Department of Retirement Systems, under cost-sharing multiple-employer defined benefit public employee retirement systems.

Historical trend and other information regarding each plan is presented in the State Department of Retirement Systems 2005 annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
PO Box 48380
Olympia, WA 98504-8380

Plan Description: *Public Employees' Retirement System (PERS)*. The state legislature established PERS in 1947 under Chapter 41.40 RCW. PERS is a cost-sharing multiple-employer defined benefit system. Membership in the system includes elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges); employees of legislative committees; college and university employees not in national higher education retirement programs; judges of district and municipal courts; noncertificated employees of school districts; and employees of local government.

PERS contains three plans. As used in this context, the term *plans* refers to tiers within PERS. The actual plan is PERS. Participants who joined the system by September 30, 1977, are Plan I members. Those who joined on or after October 1, 1977 and by August 31, 2002 for local government employees are Plan II members unless they exercise an option to transfer their membership to Plan III. PERS participants joining the system on or after September 1, 2002 for local government employees have the option of choosing membership in either PERS Plan II or PERS Plan III. The option must be exercised within 90 days of employment. An employee who fails to choose within 90 days defaults to PERS Plan III. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan I and Plan II are vested after completion of 5 years of eligible service. PERS retirement benefit provisions are established in state statutes and may be amended only by the State Legislature.

Plan I members are eligible for retirement after 30 years of service, or at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the final average salary per year of service, capped at 60 percent.

Plan II members may retire at the age of 65 with 5 years of service, or at 55 with 20 years of service, with an allowance of 2 percent per year of service of the final average salary. Plan II retirements prior to 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at 3 percent annually.

Plan III members become eligible for retirement if they have at least; 10 years of service; or 5 years including twelve months that were earned after age 54; or 5 years service credit years earned in PERS Plan II prior to June 1, 2003. Plan III retirements prior to the age of 65 receive reduced benefits. If

retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit. Plan III provides the same cost-of-living allowance as Plan II.

Funding Policy: Each biennium the State Legislature establishes Plan I and Plan III employer contribution rates and Plan II employer and employee contribution rates. Employee contribution rates for Plan I are established by legislative statute and do not vary from year to year. Employer rates for Plan I are not necessarily adequate to fully fund the system. The employer and employee contribution rates for Plan II and the employer contribution rate for Plan III are developed by the Office of State Actuary to fully fund the system. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements were established under state statute.

The required contribution rates expressed as a percentage of covered payroll, as of December 31, 2005 were:

	<u>PERS Plan I</u>	<u>PERS Plan II</u>	<u>PERS Plan III</u>
Employer	2.44%	2.44%	2.44%
Employee	6.00%	2.25%	*various 5%-15%

*Employee contribution rates cannot be changed for Plan III participants unless the member changes employers.

Both the City of Burien and the employees made the required contributions. The City's required contributions for the years ended December 31, were:

	<u>PERS Plan I</u>	<u>PERS Plan II</u>	<u>PERS Plan III</u>
2005	\$2,143	\$49,198	\$ 5,487
2004	1,393	34,535	3,509
2003	1,333	31,764	2,158

B. City of Burien Retirement Plan

Plan Description: The City Council established the City of Burien Retirement Plan, which is a defined contribution pension plan, effective March 1, 1993, in accordance with Internal Revenue Code Section 401(a). The plan was established as an alternative to the Social Security System and is administered by the International City Management Association (ICMA) Retirement Corporation, a private corporation.

Temporary employees are not eligible for participation in this plan and they contribute to the Social Security System.

Funding Policy: All permanent employees are required to participate in the plan. Under this program employees contribute 6.2%, the same percentage as they would have paid into Social Security, into a tax-deferred account. The City contributes 5.85% into the employee account. This employer match is slightly less than would have been paid into Social Security. The difference is used to pay long-term disability insurance premiums. The plan document may be periodically amended by a majority vote of the participants and with City Council approval.

The pension benefits a participant will receive depend only on the amount contributed to the participant's account and earnings on investments of these contributions. Employee's self-direct investments among various investment options for both employee and employer contributions. All

contributions are invested in instruments arranged through the ICMA Retirement Corporation. The plan assets are not the property of the City and are not subject to the claims of the City's general creditors. The City is not required to report plan assets on the financial statements.

Employee contributions for retirement benefits are always 100% vested. Employer contributions are 23% vested until the completion of the first year of employment. After one year, employer contributions are 100% vested. Upon separation of service prior to retirement, all employee contributions may be withdrawn without regard to age. Employer contributions can be withdrawn according to the vesting schedule. Upon normal retirement age of 60, distribution of benefits can be from several options offered by the ICMA Retirement Corporation.

As of December 31, 2005, there were fifty-four active members in the City of Burien Retirement Plan. The City's covered payroll for the year ended December 31, 2005, was \$3,115,556 out of total payroll of \$3,285,861. Employee contributions during the year totaled \$193,165. City contributions were \$182,260.

C. City of Burien City Manager Retirement Plan

Plan Description: The City Council established the City of Burien City Manager Retirement Plan, which is a defined contribution pension plan, effective January 1, 1994, in accordance with Internal Revenue Code Section 401(a). The ICMA Retirement Corporation, a private corporation, administers the plan.

Under Washington State law, a city manager is not required to join PERS. The city manager is required to participate in the City of Burien City Manager Retirement Plan. Under this program the City contributes 7.5% of covered payroll to this account. The plan document may be periodically amended with the City Manager and City Council approval.

The pension benefits a participant will receive depend only on the amount contributed to the participant's account and earnings on investments of these contributions. The city manager self-directs investments among various investment options for both employee and employer contributions.

All contributions are invested in instruments arranged through the ICMA Retirement Corporation. The plan assets are not the property of the City and are not subject to the claims of the City's general creditors. The City is not required to report plan assets on the financial statements.

Funding Policy: City manager contributions for retirement benefits are always 100% vested. Employer contributions are 23% vested until the completion of the first year of employment. After one year, employer contributions are 100% vested. Upon separation of service prior to retirement, all city manager's contributions may be withdrawn without regard to age. Employer contributions can be withdrawn according to the vesting schedule. Upon normal retirement age of 60, distribution of benefits can be from several options offered by the ICMA Retirement Corporation.

As of December 31, 2005, there was one active member in the City of Burien City Manager Retirement Plan. The City's covered payroll applicable to this plan for the year ended December 31, 2005, was \$119,004 out of total payroll of \$3,285,861. There were no employee contributions during the year; City contributions were \$8,909.

NOTE 10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City participates and is a member of the Washington Cities Insurance Authority (WCIA), a public entity risk pool.

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 115 members. The City has been a member since its incorporation in 1993.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$3 million per occurrence self insured layer, and, \$11 million per occurrence in the re-insured with no annual aggregate except \$10 million per member for public officials errors and omissions. The excess layer is insured by the purchase of reinsurance and insurance. Total limits are \$14 million per occurrence. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of reinsurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day-to-day operations of WCIA.

In the past three years, there have been no settlements that have exceeded this coverage.

The City's industrial insurance is provided by the State of Washington and is administered by the Department of Labor and Industries. Coverage is purchased by means of standard rates per working hour and is computed by the total number of hours worked by employees multiplied by the basic premium rate assigned to the business risk classification.

The City's unemployment insurance is through Washington State Employment Security Department, which provides some compensation to workers who are temporarily and involuntarily unemployed.

The City provides medical, dental, vision and other health benefits to eligible employees. Premiums for these benefits are purchased through policies administered by the Association of Washington Cities.

NOTE 11. CONTINGENCIES AND LITIGATION

The City participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors and their representatives. The audits of these programs for or including the year ended December 31, 2005, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

As of December 31, 2005 the City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.



This page intentionally left blank.